

## Message Text

UNCLASSIFIED

PAGE 01 TOKYO 06978 01 OF 02 121010Z  
ACTION EA-09

INFO OCT-01 EUR-12 ISO-00 AGRE-00 AID-05 CIAE-00  
COME-00 EB-07 FRB-01 INR-07 NSAE-00 USIA-15  
XMB-04 OPIC-06 SP-02 LAB-04 EPG-02 SIL-01 OMB-01  
NSC-05 SS-15 STR-04 CEA-01 /102 W  
-----121039Z 049804 /11

P R 120931Z MAY 77  
FM AMEMBASSY TOKYO  
TO SECSTATE WASHDC PRIORITY 7687  
TREASURY DEPT WASHDC PRIORITY  
INFO AMEMBASSY BONN  
AMEMBASSY LONDON  
AMEMBASSY PARIS  
AMEMBASSY ROME  
AMCONSUL HONG KONG  
USMISSION OEDCD PARIS

UNCLAS SECTION 1 OF 2 TOKYO 6978

E.O. 11652: N/A  
TAGS: EFIN, JA  
SUBJECT: FINANCIAL AND ECONOMIC DEVELOPMENTS -- MAY 5-11

1. SUMMARY: ECONOMIC PLANNING AGENCY (EPA) SURVEY SHOWS  
BUSINESS INVESTMENT INCREASING IN FIRST QUARTER CY 1977  
ALTHOUGH FUTURE OUTLOOK IS LESS BRIGHT. FIRT QUARTER DATA ON  
NEW PRIVATE MACHINERY ORDERS SHOW MODEST INCREASES. GOVT/  
PUBLIC CONSTRUCTION ORDERS INCREASE SLIGHTLY IN MARCH TO  
CONSOLIDATE LARGE FIRST QUARTER GAIN, BUT PRIVATE  
CONSTRUCTION ORDER HAVE SLOWED. PLAN FOR POSTAL SAVINGS DEPOSIT  
RATE CUT MAY 21 ADVANCES. MONETARY AGGREGATES ADVANCE  
SLOWLY IN FIRST QUARTER, LABOR MARKET CONDITIONS WORSEN  
SLIGHTLY IN FEB. END SUMMARY.

2. ALTHOUGH MAJOR CORPORATIONS CONTINUE TO MAINTAIN A  
CAUTIOUS OUTLOOK REGARDING FUTURE INVESTMENT, THEY ARE  
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 TOKYO 06978 01 OF 02 121010Z

INCREASING THEIR CAPITAL EXPENDITURES, ACCORDING TO A  
RECENT EPA SURVEY. RESULTS OF THE SURVEY OF OVER 3,500  
COMPANIES CAPITALIZED AT YEN 100 MIL OR MORE SHOW THESE  
FIRMS ESTIMATE THAT THEIR JAN-MARCH 1977 INVESTMENT,  
SEASONALLY ADJUSTED, WAS UP 12.7 PERCENT FROM THE PREVIUS  
QUARTER. MANUFACTURING INDUSTRY INVESTMENT WAS ESTIMATED  
TO HAVE INCREASED 11.5 PERCENT D THE QUARTERLY INCREASE

IN INVESTMENT BY NON-MANUFACTURING FIRMS, INCLUDING ELECTRIC UTILITIES, ROSE 14.2 PERCENT. HOWEVER, THE FUTURE OUTLOOK MAY BE LESS BRIGHT SINCE PLANNED INVESTMENT BY THE FIRMS SURVEYED INDICATE SUCCESSIVE DECLINES OF ABOUT 5 PERCENT IN THE APRIL-JUNE AND JULY-SEPTEMBER QUARTERS. THE SURVEY HIGHLIGHTED AN EXPECTED 27.7 PERCENT DROP IN INVESTMENT BY IRON AND STEEL MANUFACTURERS DURING THE APRIL-SEPTEMBER 1977 BUSINESS TERM AS A MAJOR FACTOR IN RESTRAINING AGGREGATE LEVEL OF BUSINESS INVESTMENT HERE.

3. ALTHOUGH STILL RISING MODERATELY FOR FIRST QUARTER AS WHOLE, NEW PRIVATE MACHINERY ORDERS DIPPED SLIGHTLY IN MARCH FOLLOWING LARGER DECLINE IN PREVIOUS MONTH. RECENT FLUCTUATIONS IN NEW PRIVATE MACHINERY ORDERS EXCLUDING SHIPS (JEI 337) LARGELY REFLECT TIMING OF ORDERS PLACED BY ELECTRIC POWER INDUSTRY, A SECTOR WHICH NOW ACCOUNTS FOR NEARLY ONE-FOURTH OF ALL BUSINESS INVESTMENT. RECENT STATISTICS ON PRIVATE MACHINERY ORDERS EXCLUDING SHIPS AND ORDERS PLACED BY ELECTRIC POWER INDUSTRY SHOW MODERATE BUT CONSISTENT INCREASES RECENTLY, WITH THE 2.4 PERCENT INCREASE IN MARCH THE SIXTH CONSECUTIVE MONTHLY ADVANCE.

|                |                        |
|----------------|------------------------|
| PRIVATE ORDERS | PRIVATE ORDERS (EXCL.  |
| (EXCL. SHIPS)  | SHIPS AND ELEC. POWER) |

RECENT QUARTERS (MONTHLY AVERAGE):

|               |              |              |
|---------------|--------------|--------------|
| 1976 APR-JUNE | 237.9 (-6.2) | 185.3 (-2.3) |
| JUL-SEP       | 249.1 (4.7)  | 175.6 (-5.2) |
| OCT-DEC       | 267.3 (7.3)  | 190.3 (8.4)  |
| 1977 JAN-MAR  | 271.0 (1.4)  | 199.8 (5.0)  |

RECENT MONTHS:

UNCLASSIFIED

UNCLASSIFIED

PAGE 03 TOKYO 06978 01 OF 02 121010Z

|          |               |             |
|----------|---------------|-------------|
| 1976 DEC | 289.6 (15.5)  | 193.2 (1.1) |
| 1977 JAN | 306.2 (5.7)   | 193.8 (0.3) |
| FEB      | 254.1 (-17.0) | 200.4 (3.4) |
| MAR      | 252.6 (-0.6)  | 205.2 (2.4) |

4. NEW CONSTRUCTION ORDERS SEASONALLY ADJUSTED ROSE MODERATELY IN MARCH. ALTHOUGH MARCH INCREASE IN CONSTRUCTION ORDERS PLACED BY GOVT AND PUBLIC AGENCIES (JEI 324) FOLLOWED SHARP DECLINE IN PREVIOUS MONTH, FIRST QUARTER FIGURES INDICATE LARGE INCREASE FROM FINAL QUARTER OF 1976. PRIVATE CONSTRUCTION ORDERS (JEI 325) DECLINED SLIGHTLY IN FIRST QUARTER AFTER STRONG PERFORMANCE IN LATTER HALF OF 1976. MARCH 1977 FIGURES SHOW GOVT AND PUBLIC CONSTRUCTION ORDERS, S.A., ABOUT 5 PERCENT ABOVE CY 1976 AVERAGE WHILE PRIVATE CONSTRUCTION ORDERS, DESPITE SLUGGISH FIRST QUARTER REMAIN 6 PERCENT ABOVE 1976 AVERAGE.

NEW CONSTRUCTION ORDERS, SEASONALLY ADJUSTED  
(BIL YEN, PERCENT CHANGE FROM PRIOR MONTH IN PREN)

|                                | GOV/PUBLIC    | PRIVATE       |
|--------------------------------|---------------|---------------|
| RECENT QUARTERS (MONTHLY AVG): |               |               |
| 1976 APR-JUNE                  | 202.6 (-2.2)  | 227.8 (-7.1)  |
| JUL-SEP                        | 220.0 (8.6)   | 245.6 (7.8)   |
| OCT-DEC                        | 206.0 (-6.3)  | 272.2 (10.8)  |
| 1977 JAN-MAR                   | 239.4 (16.2)  | 264.5 (-2.8)  |
| RECENT MONTHS:                 |               |               |
| 1976 DEC                       | 229.0 (4.5)   | 275.6         |
| 1977 JAN                       | 279.8 (22.2)  | 270.3 (-1.9)  |
| FEB                            | 216.9 (-22.5) | 258.9 (-4.2)  |
| MAR                            | 221.4 (2.0)P  | 264.2 (2.1) P |

5. WIDELY EXPECTED ACTION TO LOWER THE INTEREST RATES OF POSTAL SAVINGS ADVANCE THIS WEEK WHEN THE POSTS AND TELECOM-MUNICATIONS ADVISORY COUNCIL APPROVED WITH WHAT PRESS DESCRIBED AS UNUSAL SPEED A PLAN FOR REDUCTIONS RANGING FROM 0.36 TO 1 PERCENT PER ANNUM ON DEPOSITS MADE ON OR UNCLASSIFIED

UNCLASSIFIED

PAGE 04 TOKYO 06978 01 OF 02 121010Z

AFTER MAY 21 SUBMITTED BY POSTS AND TELECOMMUNICATIONS MINISTER JUSHIRO KOMIYAMA. THE PROPOSED REDUCTIONS, SUBJECT TO CABINET APPROVAL ARE THE FIRST IN 18 MONTHS. WHILE THE GOVT IS ALWAYS SENSITIVE ABOUT CUTS IN THE INTEREST RATES ON POSTAL SAVINGS BECAUSE THEY ARE NOT POPULAR WITH VOTERS, THE PROPOSED CUT IS SEEN AS INEVITABLE IN THE WAKE OF OTHER RECENT INTEREST RATE CUTS

UNCLASSIFIED

NNN

UNCLASSIFIED

PAGE 01 TOKYO 06978 02 OF 02 121020Z  
ACTION EA-09

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-07  
FRB-01 INR-07 NSAE-00 USIA-15 XMB-04 OPIC-06  
SP-02 LAB-04 EPG-02 SIL-01 OMB-01 NSC-05 SS-15  
STR-04 CEA-01 AGRE-00 /102 W  
-----121034Z 050227 /16  
P R 120931Z MAY 77  
FM AMEMBASSY TOKYO  
TO SECSTATE WASHDC PRIORITY 7688  
TREASURY DEPT WASHDC PRIORITY  
INFO AMEMBASSY BONN

AMEMBASSY LONDON  
AMEMBASSY PARIS  
AMEMBASSY ROME  
AMCONSUL HONG KONG  
USMISSION OECD PARIS

UNCLAS SECTION 2 OF 2 TOKYO 6978

DESIGNED TO BOLSTER THE CURRENT ECONOMIC RECOVERY.  
AT THE COUNCIL MEETING, KOMIYAMA NOTED THAT THE BANK OF JAPAN'S OFFICIAL DISCOUNT RATE HAD BEEN ALREADY CUT TWICE BY A TOTAL OF 1.5 PERCENT IN MARCH AND APRIL AND COMMERCIAL BANKS HAD LOWERED THEIR DEMAND DEPOSIT AND TIME DEPOSIT INTEREST RATES BY UP TO 0.5 PERCENT AND 1 PERCENT PER ANNUM RESPECTIVELY. THE PROPOSED 1 PERCENT CUT IN INTEREST RATES ON ONE-YEAR TIME DEPOSITS WILL BRING POSTAL SAVINGS RATE IN LINE WITH 5.75 PERCENT RATE OFFERED ON THESE DEPOSITS BY COMMERCIAL BANKS. A PROVISION OF THE POSTAL SAVINGS LAW REQUIRES THE BALANCING OF THOSE RATES WITH THE EQUIVALENT BANK INTEREST RATES, KOMIYAMA NOTED. THE POST OFFICE SAVING SYSTEM IS A FORMIDABLE RIVAL TO PRIVATE BANKS WITH DEPOSITS EXCEEDING YEN 30 TRILLION (ABOUT \$107 BIL). AS IN THE CASE OF RECENT COMMERCIAL BANK INTEREST RATE CUTS, EXISTING POSTAL SAVINGS RATES WILL CONTINUE UNTIL THE END OF THIS YEAR ON ONE-YEAR DEPOSITS OF LESS THAN YEN 1 MIL  
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 TOKYO 06978 02 OF 02 121020Z

HELD BY AN ESTIMATED 5 MIL WELFARE RECIPIENTS AND PENSIONERS. FOLLOWING ANNOUNCEMENT OF POSTAL SAVINGS A RATE REDUCTION, MINISTRY OF FINANCE (MOF) REPORTEDLY DECIDED TO REDUCE CERTAIN RATES ON LOANS BY GOVT-AFFILIATED AGENCIES, INCLUDING HOUSING LOAN CORPORATION, WHICH DEPEND HEAVILY ON POSTAL SAVINGS FOR FUNDS. MOF HAD PREVIOUSLY LOWERED ON APRIL 28 RATES CHARGED ON CERTAIN LOANS BY SOME GOVT-AFFILIATED AGENCIES BY AROUND 0.8 PERCENTAGE POINTS.

6. MONETARY AGGREGATES, SEASONALLY ADJUSTED, THOUGH SHOWING SOME ACCELERATION IN MARCH, REGISTERED UNUSUALLY SLOW ADVANCES DURING FIRST QUARTER. NARROWLY DEFINED MONEY SUPPLY, M1, REGISTERED VIRTUALLY NO GROWTH DURING FIRST THREE MONTHS OF 1977, RISING BY ONLY 0.4 PERCENT OVER PRIOR QUARTER. REPORTED SLOW INCREASE IN M1 MAY REFLECT IN PART RECENT RATHER MODERATE INCREASES IN CORPORATE DEPOSITS. QUARTERLY ADVANCE IN BROADLY DEFINED MONEY SUPPLY, M2, WAS FASTER THAN FOR M1, BUT SUBSTANTIALLY OFF THE AVERAGE PACE OF PAST FEW YEARS. MARCH DATA ON BANK LOANS AND DISCOUNTS NOT YET AVAILABLE BECAUSE OF SEASONAL UPSWING IN BUSINESS VOLUME END OF FISCAL YEAR.

MONEY AND CREDIT, SEASONALLY ADJUSTED  
M2 LOANS AND DISCOUNTS

M1 (JEI 123) (JEI 126) (JEI 133)

RECENTMONTHS (BIL YEN; PERCENT CHANGE FROM PRIOR MONTH IN PAREN)

1977 JAN 53,043 (-0.2) 139,565 (0.9) 98,312 (0.7)

FEB 53,180 (0.3) 140,703 (0.8) 99,063 (0.8)

MAR 53,991 (1.5) 142,421 (1.2) N/A

RECENT QUARTERS (PERCENT CHANGE FROM PRIOR QUARTER ON BASIS

OF QUARTERLY AVERAGE):

1977 JAN-MAR 0.4 2.5 N/A

1976 OCT-DEC 2.8 2.8 2.9

JUL-SEP 3.6 3.3 2.6

APR-JUNE 2.3 3.3 2.6

JAN-MAR 5.2 4.1 2.8

UNCLASSIFIED

UNCLASSIFIED

PAGE 03 TOKYO 06978 02 OF 02 121020Z

7. CALL MONEY BROKERS' ASSN ANNOUNCED LAST WEEK 0.125

PERCENTAGE POINT REDUCTION IN CALL MONEY RATES EFFECTIVE

MAY 9. UNCONDITIONAL CALL MONEY RATE IS NOW 5.125

PERCENT PER ANNUM. BILL DISCOUNT RATE, HOWEVER, HAS

REMAINED UNCHANGED AT 5.75 PERCENT SINCE APRIL 19.

CALL MONEY BROKERS EXPLAIN RECENT RATE CUT AS REFLECTION

OF EASED FUND DEMAND.

8. LABOR MARKET CONDITIONS, ACCORDING TO EPA FIGURES,

DETERIORATED SOMEWHAT IN FEB. THE NUMBER OF UNEMPLOYED,

SEASONALLY ADJUSTED, ROSE TO 1.03 MIL PUSHING UP FEB UNEMPLOYMENT

RATE TO 1.9 PERCENT.(NOTE: PRIME MINISTER'S OFFICE, USING DIFFERENT

SEASONAL FACTORS THAN ECONOMIC PLANNING AGENCY, REPORTED THAT

FEB UNEMPLOYMENT RATE WAS 1.89 PERCENT). JOB OFFERS/APPLICANT

RATIO CONTINUED TO DECLINE IN FEB TO A YEAR EARLIER LEVEL

AND UNIT LABOR COSTS INCREASED FOR THIRD STRAIGHT MONTH.

BRIGHT SIDE OF FEB LABOR CONDITIONS WAS CONTINUING RISE IN

INDEX OF OVERTIME WORKED, MARCH UNEMPLOYMENT RATE RELEASED

FROM PRIME MINISTER'S OFFICE ON MAY 10 WAS 1.9 PERCENT

AFTER SEASONAL ADJUSTMENT, ONLY SLIGHT HIGHER THAN IN FEB.

MARCH UNEMPLOYMENT RATE ADJUSTED BY EPA NOT YET AVAILABLE.

LOCAL PRESS REPORTS HAVE HIGHLIGHTED SHARP ADVANCE IN

NUMBER OF UNEMPLOYED IN MARCH ON SEASONALLY UNADJUSTED

1976 1977

JEI NO. SERIES (UNIT) DEC JAN FEB

385 JOB OFFERS/APPLICANT RATIO 0.64 0.62 0.61

401 MFG. OVERTIME (1975 EQUALS

100) 139.1 141.6 143.7

378 UNEMPLOYED (THOUSANDS) 980 1,000 1,030

379 UNEMPLOYMENT RATE

(PERCENT) 1.8 1.8 1.9

421 UNIT LABOR COST (1970

EQUALS 100) 188.2 191.2 194.9

NOTE: ALL SERIES ARE SEASONALLY ADJUSTED BY EPA.

9. NEW AUTO REGISTRATIONS, SEASONALLY ADJUSTED,FELL  
UNCLASSIFIED

UNCLASSIFIED

PAGE 04 TOKYO 06978 02 OF 02 121020Z

INAPRIL TO RECORD FIRST DECLINE IN FOUR MONTHS.

THOUSAND CARS, (SAA). PERCENT CHANGE FROM PRIOR MONTH

|           |       |
|-----------|-------|
| JAN 203.0 | 3.2   |
| FEB 222.3 | 9.5   |
| MAR 237.4 | 6.8   |
| APR 218.9 | - 7.8 |

SHOESMITH

UNCLASSIFIED

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01-Jan-1994 12:00:00 am  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** ECONOMIC REPORTS, QUARTERLY REPORTS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Sent Date:** 12-May-1977 12:00:00 am  
**Decaption Date:** 01-Jan-1960 12:00:00 am  
**Decaption Note:**  
**Disposition Action:** n/a  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:**  
**Disposition Date:** 01-Jan-1960 12:00:00 am  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1977TOKYO06978  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Expiration:**  
**Film Number:** D770167-0572  
**Format:** TEL  
**From:** TOKYO  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1977/newtext/t19770564/aaaacdcml.tcl  
**Line Count:** 292  
**Litigation Code IDs:**  
**Litigation Codes:**  
**Litigation History:**  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Message ID:** 438c3895-c288-dd11-92da-001cc4696bcc  
**Office:** ACTION EA  
**Original Classification:** UNCLASSIFIED  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 6  
**Previous Channel Indicators:** n/a  
**Previous Classification:** n/a  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Retention:** 0  
**Review Action:** RELEASED, APPROVED  
**Review Content Flags:**  
**Review Date:** 11-Jan-2005 12:00:00 am  
**Review Event:**  
**Review Exemptions:** n/a  
**Review Media Identifier:**  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**SAS ID:** 2544864  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** FINANCIAL AND ECONOMIC DEVELOPMENTS -- MAY 5-11  
**TAGS:** EFIN, JA  
**To:** STATE TRSY  
**Type:** TE  
**vdkgvwkey:** odb://SAS/SAS.dbo.SAS\_Docs/438c3895-c288-dd11-92da-001cc4696bcc  
**Review Markings:**  
Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
22 May 2009  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009